

Message Text

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ACTION EA-09

INFO OCT-01 NEA-10 ISO-00 FEA-01 ERDA-05 AID-05 CEA-01

CIAE-00 CIEP-01 COME-00 DODE-00 EB-07 FPC-01 H-02

INR-07 INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04

USIA-06 SAM-01 OES-03 SP-02 SS-15 STR-04 TRSE-00

OPIC-03 /102 W

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R 131001Z FEB 76

FM AMEMBASSY BANGKOK

TO SECSTATE WASHDC 8430

AMEMBASSY JAKARTA

AMEMBASSY JIDDA

AMEMBASSY CAIRO

LIMITED OFFICIAL USE BANGKOK 3344

E.O. 11652: N/A

TAGS: EMIN, TH

SUBJ: PETROLEUM MARKETING DEVELOPMENTS

1. SUMMARY: THERE HAS BEEN CONSIDERABLE TO-ING AND FRO-ING, MUCH OF IT CONTRADICTORY, WITHIN THE RTG OVER LAST TWO WEEKS WITH REGARD TO PROSPECTS FOR PURCHASES OF CRUDE OIL ABROAD AND MARKETING OF POL PRODUCTS IN THAILAND. OUTCOME IS STILL UN-PREDICATABLE, BUT IT IS POSSIBLE THAT IMPORTANT INSTITUTIONAL CHANGES ARE ON THE COMMERCIAL HORIZON. END SUMMARY.

2. MAIN ELEMENTS OF RECENT PETROLEUM MARKETING DEVELOPMENTS HERE ARE THESE:

A. THE CABINET IS STILL SEEKING A FORMULA BY WHICH MARKETING COMPANIES (ESSO, CALTEX, SHELL, TORC, SUMMITT) CAN BE COMPENSATED, AT LEAST IN PART, FOR COST INCREASES FLOWING FROM OPEC PRICE INCREASE LAST OCTOBER, WHILE AT SAME TIME MAINTAINING PRE-LIMITED OFFICIAL USE

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OCTOBER RETAIL PRICE LEVELS. THIS PRESUMABLY, WILL

INVOLVE SOME FORM OF SUBSIDY (BANGKOK 3255) TO OIL COMPANIES, AS WELL AS TO FUEL OIL ORGANIZATION (FOO) OF MINISTRY OF DEFENSE WHICH SUPPLIES RTG ENTITIES, BUT ALSO SELLS AT RETAIL. DIFFERENT TYPES OF TRADE OF VARIOUS FIRMS AND FOO ARE COMPLICATING FACTORS IN SUBSIDY FORMULA.

B. IN EFFORT TO OBTAIN NEED FOR DOMESTIC PRICE INCREASES, SEVERAL GOVERNMENT LEADERS, INCLUDING FOREIGN MINISTER CHATCHAI AND INDUSTRY MINISTER SURIN, HAVE SOUGHT TO PURCHASE CRUDE OIL ABROAD AT BARGAIN PRICES. THIS HAS LED TO REPORTS OF DEAL TO BE MADE (1) THROUGH BROKER IN GENEVA (BANGKOK 1777) WHICH COLLAPSED, AND (2) WITH MORE SUBSTANCE, BUT STILL NOT CONSUMMATED, PURCHASES FROM INDONESIA (JAKARTA 1131). IN ADDITION, LAST WEEK MINISTER SURIN TOLD THE PRESS "MIDDLE EASTERN SOURCES, INCLUDING EGYPT", (SEE CAIRO 1505), HAVE OFFERED UP TO 100 MILLION BARRELS (THAILAND CONSUMES ABOUT 55 MILLION ANNUALLY), AND THIS WEEK HE REPORTED "UNOFFICIAL SAUDI ARABIANS", MEETING WITH NATIONAL PETROLEUM BOARD FEB 11, PLEDGED TO SELL TO THAILAND 50-60 MILLION BARRELS OF ARABIAN LIGHT CRUDE AT US\$10.20 PER BARREL. OF THESE, INDONESIAN PURCHASE APPEARS MOST LIKELY PROSPECT, BUT THERE APPEARS TO BE CONSIDERABLE DOUBT RTG WILL BE ABLE TO BUY AT "FRIENDSHIP" PRICE CABINET MINISTERS HAVE BEEN SEEKING.

C. ALSO WITH OBJECTIVE OF AVOIDING DOMESTIC PRICE INCREASES, SEVERAL RTG OFFICIALS HAVE DUSTED OFF PROPOSAL (FLOATED YEAR AGO BY THEN NATIONAL ENERGY AUTHORITY DIRECTOR NITIPAT JALICHAN) TO CREATE A NATIONAL OIL AUTHORITY TO HANDLE OIL IMPORTS AND MARKETING. MAJOR ADVOCATES HAVE BEEN DEPUTY INDUSTRY MINISTER WATTANA ASAWAHAM, AN EXTREMELY WEALTHY FORMER OIL BROKER FOR ESSO, CALTEX, AND THE FUEL OIL ORGANIZATION (FOO) OF THE MINISTRY OF DEFENSE, AND LT. GEN. SAMRAN KHIROTE, DIRECTOR GENERAL OF THE FOO (BANGKOK 1428).

D. LINKED TO C ABOVE, PRESS AND INDUSTRY SOURCES REPORT THAT DEPUTY PRIN PRAMAN, WHO IS ALSO CHAIRMAN OF THE NATIONAL OIL POLICY COMMITTEE, WILL SUBMIT PROPOSAL TO CABINET FEB 17 TO CREATE A NATIONAL OIL AUTHORITY, PRIMARILY TO ACQUIRE AND OPERATE THE BANK CHAK REFINERY, OWNED BY THE LIMITED OFFICIAL USE

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MINISTRY OF DEFENSE BUT LEASED TO SUMMIT OIL CO. UNTIL 1990. SUMMIT EXECUTIVES HAVE FOR SEVERAL MONTHS MADE EVIDENT THEIR DESIRE TO PULL OUT OF THE ARRANGEMENT WITH THE FOO, PROVIDED, OF COURSE, THE COMPANY CAN BE COMPENSATED ADEQUATELY FOR ITS \$60 MILLION INVESTMENT IN THE REFINERY AND LOSS OF LEASE LIFE. PRESS REPORTS QUOTE GEN. PRAMAN AS SAYING SUMMIT SHOULD BE COMPENSATED FAIRLY, AND INDUSTRY RUMORS ARE THAT, IF DEAL GOES THROUGH; GEN. PRAMAN WILL BE COMPENSATED BY

SUMMIT.

3. WE CANNOT AT THISPOINT FORECAST WITH ANY CONFIDENCE
THE PROBABLE COURSE OF EVENTS; BUT WITH VAST SUMS OF
MONEY, AND RESERVOIRS OF POWER, AT STAKE IN A POLITICAL
POWER VACCUM, WE MAY WELL SEE SOME CHANGES IN THE WAY
THAILAND HANDLES ITS OIL BUSINESS. HOPEFULLY, IF CHANGES
DO COME, THEY WILL NOT DAMAGE THE INTERESTS OF U.S. OIL
COMPANIES, BUT WE WOULD NOT BET ON IT.
WHITEHOUSE

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